



Agenda Item 4a

April 11, 2011

TO: MEMBERS OF THE INVESTMENT POLICY SUBCOMMITTEE

- I. SUBJECT:** Asset Allocation – Revision of Policy for Asset Allocation Strategy
- II. PROGRAM:** Total Fund
- III. RECOMMENDATION:** Recommend to the Investment Committee approval of the revised Statement of Investment Policy for Asset Allocation Strategy

IV. ANALYSIS:

The revised Statement of Investment Policy for Asset Allocation (Attachment 1) includes revised asset class targets and ranges listed in Section V.A., Table 1. These targets and ranges were approved by the Committee in December 2010.

Staff is reviewing the target tracking error ranges for Total Fund and Active Asset Allocation included in Section VI. F. in light of:

- a. expanded ranges,
- b. higher allocations to private asset classes which tend to have higher tracking error relative to their benchmarks, and
- c. realized tracking error being higher than the target, for the most part, since it was adopted in 2008.

Based upon further discussions with Board consultants, staff intends to present any proposed changes in tracking error targets to the Committee before incorporation into a policy recommendation.

An opinion letter from Wilshire Associates is included as Attachment 2.

+Table 1.

Asset Class	Policy Target	Policy Range
Growth		
Global Equity (Public Equity)	49%	+/- 7%
Alternative Investment Management (AIM)	14%	+/- 4%
Total Growth	63%	+/- 7%
Income – Global Fixed Income	16%	+/- 5%
Real Assets	13%	+/- 5%
Inflation	4%	+/- 3%
Liquidity	4%	+/- 3%
Total Fund	100%	N/A

V. STRATEGIC PLAN:

This item is consistent with Strategic Plan Goal VIII, manage the risk and volatility of assets and liabilities to ensure sufficient funds are available, first, to pay benefits, and second, to minimize and stabilize contributions. This item is also consistent with Goal IX, achieve long-term, sustainable, risk-adjusted returns.

VI. RESULTS/COSTS:

There are no costs associated with this item.

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